



## **Fitch IBCA Upgrades CA GO Rating To 'AA' And Lease Bonds To 'A+'**

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FITCH IBCA-NY-February 16, 2000: California's general obligation bond rating is upgraded to 'AA' from 'AA-' by Fitch IBCA. The action, covering \$20.5 billion outstanding bonds, was taken in conjunction with the offering of \$500 million new general obligation bonds on Feb. 23. The new bonds are due March 1, 2001-2030 and will be callable beginning March 1, 2010.

The rating takes into account the fundamental strengths of California, buttressed by the sustained favorable economy and financial operations. The general fund had a substantial balance at June 30, 1999 and revenues to date this year are well above estimates, pointing to another successful year. The proposed budget for 2000-01 is based on conservative expectations and includes a good level of reserves. While substantial borrowing has been undertaken as population continues to expand, the growth of debt is again matched to the increase in resources, keeping debt ratios at a moderate level.

Additionally, ratings assigned to lease obligations of the state have been upgraded to 'A+' from 'A'. The bonds are issued by the Board of Public Works, the Franchise Tax Board, East Bay State Building Authority, Los Angeles State Building Authority, Oakland State Building Authority, Riverside County Public Financing Authority, San Francisco State Building Authority, San Bernardino Joint Powers Financing Authority (California Department of Transportation), and Sacramento City Financing Authority.

Employment has shown annual gains since 1994 and since 1996, state performance has exceeded that of the nation. Unemployment is gradually declining, at 4.6% in Oct. 1999, still above the U.S. level of 4.1% but reportedly the lowest in 30 years. The trend of personal income has improved but on a per capita basis has slipped to about 104% of the U.S. figure, ranking California 12th while traditionally it was within the top 10 states by this measure.

The general fund balance at June 30, 1999, was \$3.9 billion. The budget for 1999-2000 uses about \$700 million of the balance, but more than \$1 billion of expenditures are classified as one-time purposes and revenues through Jan. are 4.3% over estimates. The general fund is projected to close the year with a balance of \$3.0 billion. The proposed budget for 2000-01 would reduce the balance to \$2.4 billion, including \$1.2 billion in reserve, in addition to \$600 million reserved for other purposes.

The state's debt position continues to be favorable, with net tax-supported debt of about \$24.5 billion, or \$776 per capita and 2.7% of personal income, both very moderate ratios.

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